

Commission Meeting Minutes

APPROVED

Location of Meeting:

Comfort Inn Conference Center
1620 74th Avenue SW
Tumwater, WA 98501
(360) 352-0691

Date and Time of Meeting

Thursday, November 13, 2014
10:00 a.m.

✓ Indicates Commissioners and Ex Officio Members Present.

Commissioners

- ✓ Chris Stearns, Chair
- ✓ Bud Sizemore, Vice-Chair
- ✓ Kelsey Gray, PhD.
- ✓ Julia Patterson
- ✓ Ed Troyer

Ex Officio Members

- ✓ Senator Steve Conway
- Senator Mike Hewitt (via telephone)
- Representative Christopher Hurst
- ✓ Representative Bruce Chandler

Staff

David Trujillo, Director
Mark Harris, Assistant Director – Field Operations
Tina Griffin, Assistant Director – Licensing Operations
Julie Lies, Assistant Director – Tribal & Technical Gambling
Amy Hunter, Administrator – Communications & Legal
Callie Castillo, Assistant Attorney General
Hollie Arrona, Administrative Assistant

- PUBLIC MEETING -

Welcome

Chris Stearns, Commission Chair

Chairman Chris Stearns called the Gambling Commission meeting to order at 10:25 a.m. at the Tumwater Comfort Inn Conference Center and introduced the members present.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation

Chair Stearns announced there would be an executive session. He excused the audience and announced the session would last approximately 2.5 hours.

Chair Stearns announced at 12:45 p.m. that he was extending the Executive Session to 2:00 p.m. At 2:00 p.m. a public announcement was made extending the Executive Session to 2:30

p.m. The Commission meeting reconvened at 2:26 p.m. and Commission Chair Chris Stearns immediately adjourned the meeting.

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Friday, November 14, 2014
10:00 a.m.

✓ Indicates Commissioners and Ex Officio Members Present.

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- ✓ Kelsey Gray, PhD.
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Welcome:

Chair Stearns noted that Veterans Day was earlier in the week. He asked that we recognize those that have served and will serve in the future.

Director's Report: *Presented by Director David Trujillo*

a) Staff Recognition

Special Agent Jim Dibble was recognized for 20 years of service with the Gambling Commission and **Assistant Director Julie Lies** was recognized for 25 years of service.

Director Trujillo read from their extensive and impressive bios. Special thanks to Jim and Julie for their years of state service.

b) News Articles (included for review in the agenda packet)

- c) Follow-up on Assignments from October 2013 and January 2014 Strategic Topics Discussion

Director Trujillo brought attention to a memorandum that included two items; the first was a repeat visit on the training that staff provides to the public, to licensees, to our regulatory partners, and the tribes. The training provided demonstrates the investment staff put into education and outreach throughout the state. The second item in the memo answers the question regarding the number of hours staff spent in 2012, 2013 and 2014 as well as the regulatory groups themselves, including Tribal Gaming, Licensing, and Field Operations.

Director Trujillo also pointed out that staff was coming to a close on the number of assignments that the commissioners had requested staff follow-up on, and there would be a couple more coming to a close in January. There was one topic that will continue to be an ongoing topic of discussion, which would be funding, as well as a potential fee restructure discussion. He also stated that it was very likely that staff would present the agency strategic plan in February or March with the purpose of updating commissioners on the strategic plan projects. More importantly staff wishes to keep the strategic topic discussion alive and flowing, with the intent of continuing as a regular discussion item, and the intent to hold another strategic topic work session.

Vice-Chair Sizemore concurred with Director Trujillo and stressed the importance of carrying over the topic of funding, and suggested further discussion at the end of the meeting as well as how to approach the subject in 2015.

Commissioner Patterson replied that she would like to discuss the extent to which we might want to drill down into the topic of problem gambling in the State of Washington.

- d) Monthly Update Reports (included for review in the agenda packet)

Staff Presentations (PowerPoint)

- a) **Report back from G2E Conference:** *Presented by Administrator Paul Dasaro*

Administrator Paul Dasaro updated the Commissioners on the recent Global Gaming Expo, commonly known as the G2E Conference, including technology they saw, meetings with licensees, panel discussions, training sessions, and meetings with technical gaming regulators. Chair Stearns and Vice-Chair Sizemore attended G2E also and shared their observations. Both said they learned a lot and thought it would be a great opportunity for other Commissioners to attend in the future.

- b) **Internet Gambling 101:** *Presented by Program Manager Rick Herrington, and Special Agent Jim Dibble*

Special Agent Jim Dibble presented some basic facts about Internet Gambling, and the problems associated with a largely illegal and unregulated industry.

Program Manager Rick Herrington explained the federal and state impacts. The Commissioners had many comments and questions. Commissioner Patterson asked for clarification on assignment of codes for credit/debit card transactions. Chair Stearns had questions regarding fraud coding in New Jersey.

Commissioner Troyer said he thought the presentation was very helpful. He suggested a half day training session open to the public to go more into depth. **Chair Stearns** agreed to add that at a later date. Chair Stearns is particularly interested in the New Jersey events with Intranet gambling. Special Agent Dibble suggested the possibility of some discussions of current cases in executive session. Commissioner Troyer suggested doing both.

Approval of Minutes – September 11, 2014 Commission Meeting

Commissioner Sizemore made the motion to approve the September Commission meeting minutes.

Commissioner Troyer seconded the motion.

Motion approved 5:0.

- ADMINISTRATIVE PROCEDURE ACT PROCEEDINGS -

New Licenses and Class III Employees

Assistant Director Tina Griffin explained there were currently 49 house-bank card rooms operating and requested the approval of licensees listed on pages one through twenty-two.

Commissioner Gray made the motion to approve.

Commissioner Sizemore seconded.

Motion approved 5:0

Special Olympics of Washington – Enhanced Raffle Plan Approval

Assistant Director Tina Griffin gave a brief background of the raffle, and introduced Lori Friedt from Special Olympics of Washington. Special Olympics of Washington is one of 170 branches worldwide that provides training and competition year round. Special Olympics International (SOI) is the parent company, which has put together a new program called Unified Sports. SOI teamed up with the Department of Education to form Unified Sports, a program that partners students with and without disabilities to participate in sports programs. A lot of athletes with autism, etc., don't get picked for teams. Unified Sports gives them a chance to participate in a sport for both abled and disabled participants.

Commissioner Troyer spoke about the grand prize not being given away and that the details were not made clear that the house would not be given away unless the raffle hit a certain amount of sales. Commissioner Troyer expressed that a lot of people were disappointed in the way the raffle was handled. Ms. Friedt said that within 48 hours, Special Olympics changed their materials to make sure this was clear. Commissioner Troyer said he

hoped that they would be clear with this next raffle; Ms. Friedt said they would be. Ms. Friedt also explained that in addition to the big raffle, there would be an early bird opportunity and 1,700 prizes that anybody could win no matter what.

Commissioner Troyer made the motion to approve the enhanced raffle in Western Washington.

Commissioner Gray seconded the motion.

Motion approved 5:0.

Qualification Review – Seattle Junior Hockey Association: *Presented by Special Agent Jay Summers.*

Special Agent Jay Summers gave a brief overview of the reason for the qualification review. WAC 230.07.080 states that staff will review charitable and nonprofit licensees with annual receipts over \$3 million and prepare a summary of the organizations qualifications for the Commissioner's review at a public meeting every three years. At least one representative from the organization must attend the meeting when staff presents the qualification review.

Seattle Junior Hockey holds licenses which allow them to conduct activities with gross receipts of up to \$4 million in bingo, \$1.75 million in pull-tabs, and over \$75 for a raffle. Numerous steps were taken to ensure the nonprofit still qualifies for licensure and is in compliance with all the applicable RCWs and WACs.

Ric Newgard, Director of Seattle Junior Hockey, introduced President Mike Murphy, and provided a brief presentation describing the actual programs and services they provide.

Mr. Newgard also presented a video news report showing Seattle Junior Hockey athletes (kids) on the ice in action.

Commissioner Sizemore moved to approve Seattle Junior Hockey Association continued to be certified to conduct gambling activities in the State of Washington as a nonprofit organization.

Commissioner Gray seconded the motion.

Motion Approved 5:0.

Rules Up For Final Action

Petition from the Public: *Presented by Assistant Director Tina Griffin.*

Ric Newgard, licensed primary bingo manager for Seattle Junior Hockey Association, and Clyde Bock, licensed primary bingo manager for Leon Sullivan Health Care Center.

Proposed Amendatory Section:

WAC 230-10-375 Failing to maintain a positive cash flow.

Proposed Repealed Sections:

WAC 230-10-370 Adjusted cash flow limits for bingo.

WAC 230-10-380 Relief reduction for minimum annual adjusted cash flow.

Proposed Re-Codification of:

Assistant Director Tina Griffin explained with these rule changes, bingo licensees with annual gross gambling receipts over \$1.5 million dollars would no longer have to meet quarterly and yearly “cash flow” requirements, which is calculated based on the quarterly activity reports they submit. Instead, licensees would have to show a positive cash flow when they submit their annual financial statements to the Commission. These financial statements would continue to be prepared in accordance with WAC 230-07-150. There were no comments from the public.

Commissioner Gray moved to approve the rule package effective 31 days from filing.

Commissioner Troyer seconded the motion.

Motion Approved, 5:0, effective 31 days from filing.

Staff Proposed Rule Change: *Presented by Administrator Amy Hunter*

Re-codification of WAC 230-14-047

WAC 230-14-047 Standards for electronic video pull-tab dispensers.

Administrator Amy Hunter explained this rule proposal was to re-codify the current version of WAC 230-14-047. Because this rule relates to the regulation of licensing, it requires an affirmative vote of at least three Commission members for final approval (RCW 9.46.050(2)). There were no comments from the public.

Commissioner Sizemore moved to approve the rule, effective 31 days from filing.

Commissioner Gray seconded the motion.

Motion Approved, 5:0, effective 31 days from filing.

Other Business/General Discussion/Comments from the Public

Commissioner Troyer commented he was looking at information about the number of WSGC employees, which showed that in 2005, the Commission had about 180 employees. Forty-five positions have been lost since then. Commissioner Troyer also said layoff notices were being sent to more staff in the next week. He added that Commissioners were just witness to a presentation about Internet gambling, and that was a statewide issue. Everyone has a vested interest to keep the Commission strong. Commissioner Troyer ended by stating, this should be on everyone.

Vice-Chair Sizemore stated he would like Commissioners to look at the fee structure. He commented that he had been thinking about this since the June meeting at SeaTac when the Commissioners first discussed looking at a six percent fee increase. He added that none of the current Commissioners have been involved in an in depth validation of the fee structure. Vice-Chair Sizemore would propose that as a Commission they dedicate the next six to eight months to evaluate the fee structure. He noticed that large manufacturers are paying lower fees than nonprofit groups that are trying to help kids and organizations like Special Olympics. The Commission needs to look at whether everyone is paying their fair share. Vice-Chair Sizemore would like staff to give them bites size information each month and

dedicate a couple of hours each month to reviewing this process. He would like to make sure that Commissioners can put their "stamp of approval" on the structure at the end.

Vice-Chair Sizemore suggested the Commission review how we got to where we are financially. With layoff notices and the possibility of being refused general fund money, we need to look at where funding comes from. He would like staff to coordinate with the industry on how to proceed, and he believes many ideas could come from the industry. He would also like Commissioners and staff to devote part of the second day of the Commission meetings to start this process.

Commissioner Patterson added that another topic she would like to explore more in depth was the subject of problem gambling. Gambling brings a great deal of profit, fun and economic development to our state. It also has social impacts. Commissioner Patterson would like to look at the extent of problem gambling, how widespread is it, what amount is being spent to address this problem, and where does the funding come from. She suggests the Commission spend some time in the next year looking into this. Perhaps staff can suggest where we can fit this into the schedule.

Chair Stearns stated that last month, the Evergreen Council on Problem Gambling had requested making a presentation. He asked if a follow-up presentation had been scheduled.

Director Trujillo replied the presentation had not been scheduled yet. Staff has been in contact with the Evergreen Council. Another resource was Ms. Dolores Chiechi, Executive Director of the Recreational Gaming Association, and her particular role within the organization.

Ms. Hunter added that the state-by-state survey that was referenced last month has been sent. March is problem gambling awareness month. Ms. Hunter would follow up with the Council to schedule the presentation to take place at the March Commission meeting.

Commissioner Patterson stated she was very interested in the information that ECPG brings, and she would like to get the whole picture, including; how are the tribes investing? She would also like to know how many peoples' lives are being improved as a result of treatment, and whether or not the state or other nonprofit entities are investing in those programs.

Commissioner Sizemore asked if the January meeting had been scheduled to be held at the current location, and he suggested being able to move the meetings around a little more. He believes the Commission should be in the central or eastern part of the state at least one more time in the year, perhaps in April. He stressed that it would be beneficial. Chair Stearns said he agreed; this is a great idea.

Director Trujillo said he would look into rescheduling some of the meetings and would reconnect with the Commissioners on it.

Comments from the public:

Laurel Nelson-King addressed the Commission and stated she lives in Shelton WA. She attended the Commission meeting because she was here as the daughter of a gambling addict. Her father is 87 and has been gambling for the last 10 years. She stated her father probably would not seek help for his addiction. Ms. King said she has run into various hurdles trying to get assistance for the family. It is difficult to get help. She feels casino gambling preys on the elderly. She was very pleased to hear Commissioner Patterson discuss the topic of problem gambling.

Commissioner Patterson applauded Ms. King, and said hers was an extraordinary testimony, and that she greatly appreciated Ms. King for sharing what was a very personal matter in a public setting. Commissioner Patterson also stated that we, as commissioners, all need to understand this subject more. She implored Ms. King to keep her updated on the outcome.

Commissioner Troyer also commented that taking money from a joint account for gambling was a crime, and that Ms. King should call her local police department to file a police report, because the money is mutual property. **Ms. King** commented that she and her sister had consulted an attorney and he had mentioned that it was an issue.

Commissioner Troyer stressed the idea of filing a police report, and it did not mean that her father would be in trouble because it was a domestic report. He also stressed getting the court involved because that would let her father know that it was a serious matter. It did not mean that the police would take him to jail; it just meant that there were a lot of things that could be done to put an end to it because her mother was now a victim of theft at this point.

Ms. King replied she understood, and said they have talked with two attorneys and were now taking steps towards guardianship, and durable power of attorney. She stated that people have asked her if going before the Gambling Commission would help, and she replied that she understood that it probably would not help her family, but she hoped that it could help other families with a similar problem.

Commissioner Patterson and Chair Stearns both applauded Ms. King for her bravery in coming forward to the Commission for assistance and her moving testimony.

Victor Mena, Chief Operating Officer of Washington Gold Casinos commented that problem gambling and the fee structure were very important topics for our industry as a whole. He wished to make it clear that the business of commercial gaming was shrinking in general. The policing of internet gambling which does not occur in their facilities was difficult. Beginning in January the industry doesn't have the ability to offset the issues being discussed and that could cause additional closing of facilities. Mr. Mena asked that when Commissioners have the discussion it would be important to look at a forecast of

what could happen. Reduction of staff is based on today's revenue. There could be another ten card rooms close with minimum wage, and rising healthcare costs.

Mr. Mena also commented that, for the record, he wanted to state that the Commission's fee structures were designed on a license fee, and then in our case, the state tax structure was designed to help the local municipalities that authorize or approve gambling establishments for maintaining the business in their cities. We are talking about a very complex issue as far as how does it work. The cities are involved to some degree, as well as the state agency that polices gambling. It was not a simple solution.

Clyde Bock, Leon Sullivan Health Care Center, thanked Director Trujillo and Assistant Directors' Tina Griffin and Mark Harris, for work they had done on the net return requirements petition. He also thanked the Commission for the approval of the cash flow rule, stating the vote that Commissioners took today has done more to help the nonprofit industry in the gaming sector than anything that has been done in the past ten years.

Monty Harmon, Evergreen Gaming, thanked staff for being available during G2E to meet. He was pleased that they were able to tour the venue and view the equipment available in Las Vegas, but not necessarily what was available in Washington State. He hoped to adjust what could be offered in the state. He stressed the importance of modernizing the WAC rules and bringing forward what was allowed from 1973 to what was available in today's market. He hoped that in the year ahead he could meet with Commissioners and staff to look at rule changes.

Executive Session to Discuss Pending Investigations, Tribal Negotiations and Potential Litigation

Chair Stearns announced that the Executive Session was expected to last approximately one-half hour and at the end of the executive session the public meeting would be resumed solely for the purposes of adjourning. At 12:38 p.m. the Commission went into an Executive Session to discuss pending investigations, tribal negotiations, and potential litigation. The Executive Session was extended by ½ hour. At approximately 1:20 p.m. Chair Stearns adjourned the Executive Session.

Adjourn

Chair Stearns adjourned the public meeting at 1:20 p.m.